

WASHINGTON, DC— U.S. Rep. Peter DeFazio (OR-04) today sent a letter to Treasury Secretary Timothy Geithner urging him to withhold any more taxpayer funds from Fannie Mae and Freddie Mac until they prioritize taxpayers over the banks. Since 2008 the taxpayers have spent over \$148 billion to keep Fannie Mae and Freddie Mac financially viable following the housing market collapse.

“Enough is enough,” DeFazio said. “Taxpayers have repeatedly shouldered the burden for the reckless loans made by banks long before this latest request.”

In June, DeFazio sent a letter to the Federal Housing Finance Agency (FHFA), which oversees Fannie Mae and Freddie Mac, raising concern that banks are refusing to take back failed loans from Fannie Mae and Freddie Mac. Banks are contractually obligated to take back any mortgage that does not comply with federal lending standards. Compelling banks to take their bad loans back from Fannie Mae and Freddie Mac protects the taxpayer from more losses.

Following larger than expected second quarter losses, Fannie Mae and Freddie Mac recently asked taxpayers for an additional \$1.5 billion and \$1.8 billion, respectively. In today’s letter, DeFazio urges Treasury to withhold any new payments until Fannie Mae and Freddie Mac take all possible legal action to reduce their loan losses.

“Taxpayers should not again be asked to invest in Fannie Mae and Freddie Mac when the large banks have not taken back their shoddy failed mortgages,” DeFazio said. “Where is the common sense in this when we’re dealing with record deficits?”

The full text of the letter is below:

August 12, 2010

Honorable Timothy Geithner

Secretary, U.S. Department of the Treasury

1500 Pennsylvania Ave., NW

Washington, D.C. 20220

Dear Secretary Geithner,

I am saddened to hear that despite providing \$148 billion to keep viable Fannie Mae and Freddie Mac, they are again asking for another taxpayer bailout. Fannie Mae and Freddie Mac recently asked taxpayers to provide an additional \$1.5 billion and \$1.8 billion respectively, following larger than expected second quarter losses.

Fannie Mae and Freddie Mac already owe the federal government \$63 billion and \$85 billion respectively, but they continue to lose money from bad loans made by lending institutions from 2005 to 2008. It is not known if additional requests for federal money will come following future quarter losses, putting taxpayers further at risk.

On June 15 of this year I wrote to the Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac. I urged the Federal Housing Finance Agency to mandate that Fannie Mae and Freddie Mac finalize billions of outstanding repurchasing requests for loans that do not comply with federal standards. It is time large lending institutions own up to their own reckless loans and not force their losses onto taxpayers. As of March 31, 2010 Freddie Mac reported \$4.8 billion in outstanding repurchasing requests—34 percent of these requests had been

outstanding for 90 days or more. Fannie Mae has \$1.8 billion in outstanding repurchasing requests from the first quarter in 2010. It is important to note that these outstanding repurchasing requests exceed the current requests for taxpayer bailouts of \$1.5 billion for Fannie Mae and \$1.8 billion for Freddie Mac.

As you know, the U.S. Department of the Treasury has the authority to provide Fannie Mae and Freddie Mac the requested money to stay afloat. Before Treasury provides additional taxpayer money, the Federal Housing Finance Agency should force Fannie Mae and Freddie Mac to recoup their losses from the banks who are contractually obligated to take back high risk loans that do not comply with federal standards. Taxpayers should not be on the hook for these bad loans made by large lending institutions.

I urge the Department of the Treasury to withhold any payments until the Federal Housing Finance Agency forces Fannie Mae and Freddie Mac to take all legal action possible to reduce their losses.

Sincerely,

Peter DeFazio

Member of Congress

